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No. 15-375

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

BRIEF OF AMICUS CURIAE, AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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STATEMENT OF INTEREST

The American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private or corporate practice, in government service, and in the academic community.[1] AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention and authorship while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

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[1] In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

AIPLA has no interest in any party to this litigation or stake in the outcome of this case, other than its interest in seeking a correct and consistent interpretation of the law affecting intellectual property.[2]

SUMMARY OF ARGUMENT

This case provides the Court with an opportunity to resolve a split in the circuits on the correct interpretation and application of the Copyright Act provision for awarding attorney's fees. The correct test for copyright cases, as the Court recently held for patent cases, is a totality-of-the-circumstances test that is guided by non-exclusive factors, including objective reasonableness, frivolousness, motivation, and the need in particular circumstances to consider compensation and deterrence. No one factor, including the objective reasonableness of the losing party's position on the merits, should be given a preclusive effect.

Section 505 of the Copyright Act confers discretion on the district courts to award reasonable attorney's fees to the prevailing party in a copyright case. In its 1994 decision in *Fogerty v. Fantasy*, this Court underscored the broad discretion of the courts to award attorney's fees. The *Fogerty* Court endorsed a flexible, equitable exercise of judicial discretion on

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[2] AIPLA sought consent to file this brief from the counsel of record for all parties, pursuant to Supreme Court Rule 37.3(a). Counsel for all parties consented and copies of the letters of general consent have been filed with the Clerk.

a case-by-case basis. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). In doing so, this Court expressly rejected a presumption in favor of a prevailing copyright holder. The Court also rejected the presumption that, under Section 505, fees would be awarded to the prevailing party in all but unusual circumstances.

Footnote 19 of the *Fogerty* decision referenced the Third Circuit's use of a set of "non-exclusive" factors that "may be used to guide courts' discretion as long as such factors are faithful to the purposes of the Copyright Act and are applied evenhandedly to prevailing plaintiffs and defendants." *Id.* at 534 n.19. The non-exclusive factors include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.*

In 2005, a unanimous decision of this Court on the issue of attorney's fee awards under 28 U.S.C. § 1447(c) noted, again in a footnote, that the *Fogerty* Court "did not identify a standard under which fees should be awarded" but "remanded to the Court of Appeals to consider the appropriate test in the first instance." *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 141 n* (2005). In the twenty-one years since the *Fogerty* decision, the regional circuits have developed various formulations of the non-exclusive factors, some of which involve weighted factors or presumptions that take away the discretion expressly conferred upon the district courts by Congress, contrary to the plain language of Section 505 and the holding of this Court in *Fogerty*.

This brief is submitted by AIPLA to urge the Court to provide needed direction on the appropriate standard for awarding fees under Section 505. Consistent with this Court's fee-shifting decisions, including *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), the recent decision involving the fee-shifting provision of the Patent Act, this Court should endorse the use of a totality-of-the-circumstances test that is guided by non-exclusive factors, including objective reasonableness, frivolousness, motivation, and the need in particular circumstances to consider compensation and deterrence. AIPLA also urges this Court to admonish the regional circuits that "precise rule[s] or formula[e] for making these determinations" are contrary to Section 505.

Section 505 empowers district courts to determine when, under the totality of the circumstances, equity and fairness dictate that fees should be recovered by the prevailing party. Section 505 does not establish any presumption that fees must be awarded to the prevailing party. Moreover, as this Court has aptly noted, the purposes of the Copyright Act are "complex" and "measured," reflecting numerous policy choices about compensation and deterrence in specific contexts. As a result, it is dangerous to develop shorthand rules or presumptions that constrain a district court's discretion. The district courts should be free to bring their experience, perspective, and hands-on knowledge of the case to their analysis of the totality of the circumstances, mindful that their ultimate equitable determination must be consistent with the purposes of the Copyright Act.

ARGUMENT

I. Section 505 of the Copyright Act Confers Broad Discretion on the District Court to Award Attorney's Fees.

Section 505 of the Copyright Act authorizes a district court to exercise its broad, equitable discretion to award attorney's fees in copyright litigation. It provides that:

> [i]n any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505.

This Court has addressed the question of the appropriate standard for awarding attorney's fees under Section 505 of the Copyright Act. It expressly held that "[t]he word 'may' clearly connotes discretion" to award attorney's fees under Section 505, emphasizing that "[t]here is no precise rule or formula for making these determinations." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533, 534 (1994) (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 436-437 (1983)). Accordingly, this Court instructed that "equitable discretion should be exercised" upon consideration of case-specific factors, consistent with the purposes of the Copyright Act. *Id.* at 534.

The *Fogerty* case addressed a circuit split on this issue. Some circuits had been applying a "dual standard" under which prevailing copyright holders were awarded fees as a matter of course while successful defendants were required to show that the suit was frivolous or brought in bad faith. Other circuits applied an "even-handed" approach, which did not impose a greater burden on prevailing defendants than on prevailing plaintiffs. 510 U.S. at 517 After considering the statutory text, the purposes of the Copyright Act, and the legislative history of Section 505, this Court held that, in enacting Section 505, Congress did not establish a standard of treating prevailing copyright holders and accused infringers differently for purposes of fee awards. *Id.* at 521-22. Likewise, the Court rejected Fogerty's argument that Section 505 evidences Congress' intent to adopt the British Rule, under which attorney's fees are awarded to the prevailing party absent unusual circumstances. "The automatic awarding of attorney's fees to the prevailing party would pretermit the exercise of [the] discretion" conferred by Congress upon district courts. *Id.* at 533.

The *Fogerty* decision rejected rigid rules and uneven standards as inappropriate in evaluating fee petitions in copyright cases. Instead of any "precise rule or formula for making these determinations," the Court suggested, without deciding, that district courts evaluating attorney's fee petitions could look to "several nonexclusive factors to guide [their] discretion," including "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in

particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 and n.19 (*quoting Hensley v. Eckerhart*, 461 U.S. 424, 436-37 (1983) and *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)); *see Martin*, 546 U.S. at 141 n*

In footnote 19 of its decision, this Court further explained the discretionary approach to be applied in copyright fee-award determinations: any factors considered must be "faithful to the purpose of the ***Copyright Act*** and applied to prevailing plaintiffs and defendants in an evenhanded manner." 510 U.S. at 534 n.19 (emphasis added). Importantly, the Court rejected the argument that Section 505 evidences an exclusive purpose to "encourage[ ] litigation of meritorious claims of copyright infringement." *Id.* at 525-26. Calling this view of the purposes of the Copyright Act "flawed" and "one-sided," the Court admonished that:

> the policies served by the Copyright Act are more complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement. We have often recognized that the monopoly privileges that Congress has authorized, while 'intended to motivate the creative activity of authors and inventors by the provision of a special reward,' are limited in nature and must ultimately serve the public good.

Id. at 526, *quoting Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 429

(1984). Accordingly, "[b]ecause copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible," and therefore, "a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim by the holder of a copyright." *Id.* at 527

This Court's analysis in *Fogerty* confirms that an award of fees should be left to the district court's equitable discretion, may be informed by consideration of a variety of factors, and should be exercised consistently with the goals of the Copyright Act. Importantly, while a court's analysis may be informed by the relative merits of the parties' litigation positions and conduct, there is no room under Section 505's discretionary standard for any rigid rules or any "thumb on the scale" for or against a particular party or outcome. The *Fogerty* decision confirms that district courts must consider the totality of the circumstances in the particular case before them, while ensuring that any decision to award or deny fees is consistent with the purposes of the Copyright Act.

II. This Court's Guidance is Needed to Address the Regional Circuits' Inconsistent Approaches.

A. A Presumption in Favor of Fee Awards Is Inconsistent with Section 505.

Despite the express language of Section 505, this Court's emphasis on the discretionary nature of an attorney's fees award under Section 505, and its explicit rejection of petitioner Fogerty's argument that attorney's fees should be awarded to the prevailing party absent unusual circumstances, some regional circuits have established a presumption that fees should be granted to the prevailing party in a copyright suit. *See Riviera Distribs., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008) ("Since *Fogerty* we have held that the prevailing party in copyright litigation is presumptively entitled to reimbursement of its attorneys' fees."); *Hogan Sys. v. Cybresource, Int'l., Inc.*, 158 F.3d 319, 325 (5th Cir. 1998) ("although attorney's fees are awarded in the trial court's discretion, they are the rule rather than the exception and should be awarded routinely").

Such presumptions defy the plain language of Section 505, which expressly grants discretion to district courts. As this Court noted in *Fogerty*, "the automatic awarding of attorney's fees would pretermit the exercise of that discretion." As this Court noted in *Fogerty*, "the automatic awarding of attorney's fees would pretermit the exercise of that discretion." *Fogerty*, 510 U.S. at 533. Had Congress intended to create a presumption in favor of fee awards, it would have done so. *Id.* at 517. ("We find

it impossible to believe that Congress, without more, intended to adopt the British Rule. Such a bold departure from traditional practice would have surely drawn more explicit statutory language and legislative comment."); *Martin,* 546 U.S. at 137 (finding "no sound basis" for a presumption in favor of awarding fees in the absence of more explicit statutory language and legislative comment). Congress did not create any presumption of fee-shifting in copyright cases—the plain language of Section 505 evidences Congress' intent to leave the award of fees to the court's discretion.

This Court has repeatedly emphasized that equitable discretion requires the ability to examine the totality of the circumstances without the imposition of categorical rules or presumptions. *See, e.g., eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006); *New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001). In *eBay Inc.*, this Court expressly rejected the Federal Circuit's formulation of a "general rule" in a patent infringement case that "a permanent injunction will issue once infringement and validity have been adjudged." *Id.* at 393-394. The Federal Circuit's rule instructed district courts to deny an injunction only in the "unusual" case involving "exceptional circumstances" and "in rare instances to protect the public interest." *Id.* at 394. In rejecting the Federal Circuit's categorical rule on the grant of injunctions in patent cases, this Court reasoned that such categorical rules "cannot be squared with the principles of equity adopted by Congress," noting that its decision was "consistent with [its] treatment of injunctions under the Copyright Act." *Id.* at 392-93 (*citing New York Times*

Co. v. Tasini, 533 U.S. 483, 505 (2001) (emphasizing the word "may" in pointing out that an injunction need not necessarily follow from an infringement finding) and *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 n.10 (1994) (emphasizing the word "may" and noting that "the goals of the copyright law are not always best served by automatically granting injunctive relief")).

For these reasons, the presumptions employed by some of the regional circuits, including the Seventh and Fifth Circuits, clearly contradict the plain meaning of Section 505 and *Fogerty*'s holding that fee awards be granted "***only*** as a matter of the court's discretion." 510 U.S. at 534 (emphasis added).

B. The Use of Weighted Factors Is Inconsistent with Section 505.

The Second Circuit's formulation of the multi-factor analysis suggested by the *Fogerty* Court emphasizes the particular importance of the objective unreasonableness factor at the risk of directing, rather than guiding, the district court's analysis. In *Matthew Bender & Company, Inc. v. West Publishing Co.*, 240 F.3d 116 (2d Cir. 2001), the Second Circuit reviewed a fee award in the wake of *Fogerty* and held that "objective reasonableness is a factor that should be given substantial weight in determining whether an award of attorneys' fees is warranted." *Id.* at 122.

As a result, "a number of courts in [the Second] [C]ircuit have awarded attorneys' fees to prevailing defendants solely upon a showing that the plaintiff's

position was objectively unreasonable, without regard to any other 'equitable factor.'" *Baker v. Urban Outfitters, Inc.*, 431 F. Supp. 2d 351, 357 (S.D.N.Y. 2006).[3] This is unsurprising in light of the *Matthew Bender* court's reliance on a pre-*Fogerty* Second Circuit case for the proposition that the "principle [*sic*] purpose of the [Copyright Act] is to encourage the origination of creative works by attaching enforceable property rights to them." 240 F.3d at 122, (*quoting Diamond v. Am-Law Publ'g Corp.*, 745 F.2d 142, 147 (2d Cir. 1984)). This reasoning encourages the "one-sided" view of the Copyright Act that the *Fogerty* Court criticized as "flawed" because it failed to recognize that "copyright law ultimately serves the purpose of enriching the general public through access to creative works." 510 U.S. at 525-27.

The Second Circuit's rule that "substantial weight" be placed on the objective unreasonableness, *vel non*, of the losing party's position downplays the potential relevance of other factors that could support fee awards. By mandating that one of at least several non-exclusive factors should receive "substantial weight," the Second Circuit's formulation has, in effect, created a categorical rule, making it more difficult for a prevailing party to

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[3] Although the *Matthew Bender* court acknowledged that a finding of objective reasonableness did not "***necessarily*** preclude[ ] the award of fees," 240 F.3d at 122 (emphasis added), the "substantial weight" on that factor, as required by the Second Circuit, risks removing discretion from the district courts.

obtain fee awards against opponents who hold objectively reasonable factual and legal positions.

This Court has warned against imposing categorical rules that impinge upon a district court's exercise of equitable discretion. "The essence of equity jurisdiction has been the power to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it." *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (quoting *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944)); *see also Holmberg v. Ambrecht*, 327 U.S. 392, 396 (1946) ("Equity eschews mechanical rules; it depends on flexibility."). In *eBay Inc.*, this Court not only rejected the Federal Circuit's presumption in favor of injunctions in patent cases, the Court rejected the district court's apparent rule that a "'plaintiff's willingness to license its patents' and 'its lack of commercial activity in practicing the patents' would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue." *Id.* at 390. This Court warned that "traditional equitable principles do not permit such broad classifications" and required the district court to engage in a flexible analysis considering the totality of the circumstances of the parties in the case. *Id.* at 392.

Likewise, this Court has noted that "in the comparable context of the [Patent] Act," the imposition of rigid formulae on what should be a case-by-case, totality-of-the-circumstances inquiry is improperly restrictive of district courts' exercise of discretion with respect to attorney's fees. *Octane Fitness*, 134 S. Ct. at 1756. Given that the statutory

text of the copyright fee provision lacks even the one constraint dictated by the Patent Act—that fees should be awarded in "exceptional" cases—the prescription of rules or formulae for the fee analysis in the copyright context is even more inappropriate.

In sum, the Second Circuit's formulation of the totality-of-the-circumstances analysis under Section 505, mandating that one non-exclusive factor to consider should be accorded "substantial weight," cannot be squared with Congress' intent to confer equitable discretion upon the courts. *See eBay Inc.*, 547 U.S. at 393 (imposing categorical rules on the decision to grant an injunction "cannot be squared with the principles of equity adopted by Congress").

III. Section 505 Requires a Totality-of-the-Circumstances Analysis.

In place of rigid rules, presumptions, or weighted standards, district courts should exercise the equitable discretion conferred by Section 505 on a case-by-case basis, in a manner that is consistent with the purposes of the Copyright Act. In a footnote of its *Fogerty* decision, this Court referenced a "non-exclusive" list of factors outlined in the Third Circuit case of *Lieb v. Topstone Industries, Inc.*, namely, "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." 788 F.2d 151, 156 (3d Cir. 1986). As the Third Circuit explained in setting out its list of non-exclusive factors, "[w]e expressly do not limit the factors to those we have

mentioned, realizing that others may present themselves in specific situations. Moreover, we may not usurp that broad area which Congress has reserved for the district judge." *Id.* at 156. This Court noted that "such factors may be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." 510 U.S. at 534 n.19.

Because the regional circuits have varied in their formulation and analysis of these non-exclusive factors in their review of discretionary fee awards under Section 505, this Court should offer additional guidance, consistent with its other pronouncements on the exercise of equitable discretion, including most recently in its *Octane Fitness* decision. In particular, the Court should reaffirm the equitable discretion of the district courts to conduct a totality-of-the-circumstances analysis—guided by the non-exclusive factors identified in *Lieb*, as well as others that may present themselves in a specific case—and reiterate that the totality-of-the-circumstances test must be mindful of the complex purposes of the Copyright Act. *See Octane Fitness,* 134 S. Ct. at 1756 n.6 (favorably noting that, in *Fogerty*, the Court explained that district courts could consider the non-exclusive *Lieb* factors).

A. The District Court May Consider the Strength of the Losing Party's Position.

The strength of the losing party's position on the merits is an appropriate factor to consider in a Section 505 fee award analysis. However, a rule that

essentially requires "objective unreasonableness" or "frivolousness" to support a fee award threatens to render Section 505 superfluous. As this Court has noted on several occasions, *see, e.g., Octane Fitness*, 134 S. Ct. at 1758, statutory fee-shifting provisions must not be construed such that they are merely coextensive with courts' "inherent power" under the common law to award fees to a prevailing party when the losing party has "acted in bad faith, vexatiously, wantonly, or for oppressive reasons." *Id.* (quoting *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 258-59 (1975)).

The intent of Congress in enacting Section 505 was to displace the absolute application of the American Rule and expand the district courts' exercise of equitable discretion to award of attorney's fees in copyright cases beyond the discretion they already had to award fees for bad faith and vexatious litigation. *See Cooter & Gell v. Hartmax Corp.*, 496 U.S. 384, 392-93 (1990); *see also Chambers v. NASCO, Inc.*, 501 U.S. 32, 45-46 (1991) ("[A] court may assess attorney's fees when a party has acted in bad faith, vexatiously, wantonly, or for oppressive reasons." (internal quotation marks omitted)); 28 U.S.C. § 1927 (any attorney who multiplies proceedings unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorney's fees); Fed. R. Civ. P 11. Because a frivolous or objectively unreasonable litigation position could serve as grounds for a fee award under Rule 11 and the court's inherent power, Section 505 must allow courts to consider whether fees are warranted in

instances where palpably weak, but not utterly baseless, claims or defenses are asserted.

Courts in the First Circuit have articulated a formulation for assessing the strength of the losing party's position that captures this less stringent standard. Instead of asking whether the unsuccessful party's claim or defense is "frivolous" or "objectively unreasonable," the inquiry is whether the party's claim is "objectively quite weak." *See InvesSys, Inc. v. McGraw-Hill Cos., Ltd.*, 369 F.3d 16, 21 (1st Cir. 2004) (considering "dubious" nature of plaintiff's ownership claim); *Garcia-Goyco v. Law Envtl. Consultants, Inc.*, 428 F.3d 14, 21 (1st Cir. 2005) (discussing "objectively weak" standard).

Importantly, the "objectively weak" factor may permit the award of fees but does not require it. *See Airframe Sys., Inc. v. L-3 Comm'ns Corp.*, 658 F.3d 100, 108-09 (1st Cir. 2011) (affirming denial of fees to prevailing defendant despite failure of proof on essential elements of claim). Conversely, as the First Circuit has also explained, "[d]epending on other circumstances, a district court could conclude that the losing party should pay even if all of the arguments it made were reasonable." *See Matthews v. Freedman*, 157 F.3d 25, 29 (1st Cir. 1998). The "objectively weak" inquiry provides a useful lens through which district courts can view the losing party's position on the merits.

B. The District Court May Consider a Party's Motivation.

A party's motivation and conduct may be considered in the district court's fee analysis under Section 505. *See Lieb*, 788 F.2d at 156. Here again, as the court in *Lieb* recognized, the court may consider a litigant's conduct even if it has not engaged in highly culpable conduct such as litigation brought in bad faith, willful infringement, or like misconduct. *See id.* at 156 ("we do not require bad faith" as a prerequisite for the award of counsel fees under the Copyright Act).

Improper motivation can take many forms, underscoring the need for a flexible totality-of-the-circumstances analysis. For example, in *Bond v. Blum*, 317 F.3d 385, 397-98 (4th Cir. 2003), the court considered the motivation of a stepfather who was using copyright law to try to block evidence from appearing in a child custody suit. "The [district] court stated that Bond misused the Copyright Act and that he was motivated by a desire to suppress the underlying facts of his copyrighted work rather than to safeguard its creative expression." *Id.* The use of a weak copyright claim to "bootstrap a state law contract action into federal court" likewise may evidence improper motivation. *See, e.g., Garcia-Goyco,* 428 F.3d at 21 (affirming district court's award of fees without reaching the issue of copyright misuse because district court could properly find that the claim was lacking in merit).

There is also the potential for a litigant to use the specter of expensive, lengthy litigation as

leverage to force an opposing party to settle. For example, in *Assessment Techs.*, the court highlighted a form of copyright misuse that occurs when a company seeks to gain an advantage over a competitor by asserting rights outside the scope of copyright protection. 361 F.3d, 434, 437 (7th. Cir. 2004) (holding that "[f]or a copyright owner to use an infringement suit to obtain property protection, here in data, that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively" could be a form of copyright misuse). The prospect of fees can prompt parties to "stop and think" before surrendering meritorious positions, or wielding the expense of litigation for improper purposes. Accordingly, a party's motivation may be considered in a district court's fee analysis.

C. "Considerations of Compensation and Deterrence" Include Litigation Misconduct.

Fee shifting is a tool for district courts to control the conduct of the parties, to sanction litigation misconduct, or to shift the risks and burdens of particular litigation tactics in order to encourage or discourage certain types of behavior. *See, e.g.*, *Octane Fitness,* 134 S. Ct. 1749; *Fogerty,* 510 U.S. at 522-25; *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 393 (1990). Consistent with this Court's decision in *Octane Fitness*, a court may also consider litigation conduct in connection with its compensation and deterrence analysis. *See Octane Fitness*, 134 S. Ct. at 1756 (courts may consider "the unreasonable manner in which the case was

litigated"). In *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792, 809 (6th Cir. 2005), for instance, the Sixth Circuit found that "conduct that complicated rather than streamlined the issues and contributed to the multiplication of fees for the defendant" supported the issuance of a fee award for purposes of "compensation and deterrence." In that case, plaintiffs had inundated the court with paperwork that was "hastily prepared and often lack[ing] in sufficient factual or legal support." *Id.*

Importantly, litigation misconduct need not rise to the level of vexatious conduct that violates Rule 11 in order to be relevant for a fee analysis under Section 505. *See Octane*, 134 S. Ct. at 1757 (court may award fees under Section 285 of the Patent Act for unreasonable conduct that is "not necessarily independently sanctionable"). The inquiry should be whether a party unjustly imposed costs on its adversary in excess of those warranted by the strength of its claims or defenses, in light of all of the relevant circumstances. *See generally Precision Instrument Mfg. Co. v. Automotive Maintenance Machine Co.*, 324 U.S. 806, 814 (1945) ("he who comes into equity must come with clean hands"). This flexibility in the awarding of fees provides the district court with an important case management tool to help deter overly aggressive litigation tactics by both plaintiffs and defendants, whether prevailing or non-prevailing.

D. The District Court Should Consider the Purposes of the Copyright Act as a "Check" on Its Discretion.

The *Fogerty* Court emphasized that the factors that district courts might use to "guide [their] discretion" must be "faithful to the purposes of the Copyright Act." 510 U.S. at 534 n.19. Because the Section 505 inquiry must take into account the totality of the circumstances, courts cannot make fee determinations by simply "checking the boxes" of the *Lieb* factors (or any other factors). It is not the case that any one factor is required to justify a fee award, nor is it the case that any of the factors, if found, invariably necessitates a fee award. This means that, in some circumstances, fees might be appropriate, and consistent with the purposes of the Copyright Act, even where the losing party has not been frivolous, objectively unreasonable, or improperly motivated. At the same time, any combination of factors might not be sufficient if a fee award would be inconsistent with the purposes of the Copyright Act. As this Court emphasized in *Fogerty*, "there is no precise rule or formula for making these determinations," but instead equitable discretion should be exercised. *Id.* at 534 (*quoting Hensley* v. *Eckerhart*, 461 U.S. 424, 436-437 (1983)).

Ultimately, the "purposes of the Copyright Act" serve as a "check" on a court's discretionary fee determination based on consideration of the relevant factors. Consistent with this Court's decision in *Indep. Fed'n of Flight Attendants v. Zipes*, 491 U.S. 754, 759 (1989), there are "limits 'in the large objectives' of the relevant Act which embrace certain

'equitable considerations.'" As this Court pointed out in *Fogerty*, "the policies served by the Copyright Act are more complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement." 510 U.S. at 526.

Indeed, many different policy judgments can be gleaned from various provisions of the Copyright Act. Some are broadly applicable—for example, the availability of increased statutory damages against willful infringers and reduced statutory damages against innocent infringers suggests a policy of deterring willful infringement and not unduly punishing innocent infringement. 17 U.S.C. § 504(c)(2). This policy might well inform a court's decision regarding whether to award fees to a successful plaintiff in a case in which the defendant has been shown to have infringed innocently. Similarly, the codification of the judicially created fair use doctrine at 17 U.S.C. § 107 reflects Congress' general concern that the monopoly created by copyright not be extended so far that it actually hinders "the progress of science and useful arts." U.S. Const., Art. I, § 8, cl. 8. With the enactment of § 107, Congress confirmed that "the monopoly privileges [it] authorized are limited in nature and must ultimately serve the public good." *Fogerty*, 510 U.S. at 526. As a result, a court evaluating a prevailing plaintiff's fee petition in a case involving a strong, but ultimately unsuccessful, fair use defense asserted in good faith might reasonably consider the policies underlying Congress' adoption of fair use in deciding whether to award fees as part of its equitable analysis in that case.

Other policy judgments are more specific—for example, the various limitations on the exclusive rights of copyright holders embodied in the statute suggest that Congress intended to provide special protection or encouragement for certain categories of users or uses, including nonprofit educational institutions (17 U.S.C. § 110(1)), libraries and archives (17 U.S.C. § 108), religious congregations (17 U.S.C. § 110(3)), and the visually impaired (17 U.S.C. § 121). Courts may in appropriate circumstances consider the policies underlying these limitations in a fee-award analysis.

Indeed, in the discretionary context of injunctions, this Court has recognized that the policies embodied in the Copyright Act's substantive protections for certain uses of copyrighted works may be relevant to a court's determination of the appropriate relief when a defendant is found to have exceeded the scope of those protected uses. For example, in *Campbell v. Acuff-Rose Music, Inc.*, the Court explained:

> Because the fair use enquiry often requires close questions of judgment as to the extent of permissible borrowing in cases involving parodies (or other critical works), courts may also wish to bear in mind that the goals of the copyright law, "to stimulate the creation and publication of edifying matter," [Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1134 (1990)] are not always best served by automatically granting injunctive relief when parodists are found to have gone

> beyond the bounds of fair use. *See 17 U.S.C. § 502(a)* (court "***may*** grant injunctions on such terms as it may deem reasonable to prevent or restrain infringement").

510 U.S. 569, 578 n.10 (1994). As noted above, similar policy considerations, including concern for protecting parody, criticism, and the public domain, may in appropriate cases support an award of fees to an accused infringer that has been found *not* to have exceeded the bounds of fair use, for example.

Moreover, the Copyright Act applies to, and attempts to address issues presented by, a vast array of disparate works and products, from books and paintings to motion pictures, computer operating systems, architectural works, and software embedded in consumer products. 17 U.S.C. § 101. As this Court has recognized, the complexity of the Copyright Act and the purposes it serves makes it difficult to craft broadly applicable rules to govern fee awards. Instead, a district court must evaluate the various equitable factors that present themselves in a specific case to assess whether a fee award is appropriate; in doing so, the court must also ensure that its determination is consistent with the various policy judgments Congress has expressed through the text and legislative history of the Copyright Act.[4]

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[4] The complexity of purposes embodied in the Copyright Act distinguishes Section 505 from 28 U.S.C. § 1447(c), at issue in *Martin*. In that case, this Court determined that "the standard

CONCLUSION

With its enactment of Section 505 of the Copyright Act, Congress entrusted to the district judges the discretion to award fees to prevailing parties in copyright cases. Consistent with the long-standing tradition of equitable discretion, this Court has emphasized that "[t]here is no precise rule or formula for making [fee award] determinations." *Fogerty*, 510 U.S. at 534 (citation omitted). Rather, the decision must rest with the district courts' equitable discretion precisely because—as demonstrated by the approaches adopted by the Second, Fifth, and Seventh Circuits—it is difficult to fashion or apply rigid rules and tests evenhandedly, without usurping the power that Congress reserved for the district courts.

This Court should reaffirm the district courts' discretion in awarding fees to ensure that they have room to craft remedies that are not only appropriate to the circumstances of each case but also consistent with the overarching public-interest goals of copyright law. To guide the totality-of-the-circumstances analysis of the facts and equities, this

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for awarding fees should turn on the reasonableness of the removal" in light of "the desire to deter removals sought for the purpose of prolonging litigation and imposing costs on the opposing party, while not undermining Congress' basic decision to afford defendants a right to remove as a general matter, when the statutory criteria are satisfied." 546 U.S. 132, 140-41 (2005). In light of the significantly more complex policies served by the Copyright Act, such a simple formulation of the standard for fees is inappropriate here.

Court should endorse consideration of non-exclusive factors, including objective reasonableness, frivolousness, motivation, and the need in particular circumstances to consider compensation and deterrence, mindful of the complex and measured purposes of the Copyright Act.

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